

**AIR TRANSPORT AGREEMENT
BETWEEN THE GOVERNMENT OF THE
UNITED STATES OF AMERICA
AND
THE GOVERNMENT OF MACAU**

The Government of the United States of America and the Government of Macau, the latter duly authorized by the competent sovereign institution of the Portuguese Republic and with the consent of the Government of the People's Republic of China;

Hereinafter referred to as "the Parties",

Desiring to promote an international air transport system based on competition among airlines in the marketplace with minimum governmental interference and regulation;

Desiring to facilitate the expansion of international air transport opportunities;

Desiring to make it possible for airlines to offer the traveling and shipping public a variety of service options at the lowest prices that are not predatory or discriminatory and do not represent abuse of a dominant position and wishing to encourage individual airlines to develop and implement innovative and competitive prices;

Desiring to ensure the highest degree of safety and security in international air transport and reaffirming their grave concern about acts or threats against the security of aircraft, which jeopardize the safety of persons or property, adversely affect the operation of air transportation, and undermine public confidence in the safety of civil aviation; and

Desiring to conclude an agreement covering all commercial air transportation;

Have agreed as follows:

ARTICLE 1
Definitions

For the purposes of this Agreement, unless otherwise stated, the term:

a. "Aeronautical authorities" means, in the case of the United States of America, the Department of Transportation, or its successor, and in the case of Macau, the Civil Aviation Authority or its successor;

b. "Agreement" means this Agreement, its Annexes, and any amendments thereto;

c. "Air transportation" means any operation performed by aircraft for the public carriage of traffic in passengers, baggage, cargo and mail, separately or in combination, for remuneration or hire;

d. "Area" with respect to the United States of America, has the meaning assigned to "territory" in Article 2 of the Chicago Convention referred to in Article 2 of this Agreement and, with respect to Macau, includes Macau Peninsula and the Taipa and Coloane Islands

e. "Designated airline" means an airline designated and authorized in accordance with Article 4 of this Agreement;

f. "Full economic costs" means the direct cost of providing service plus a reasonable charge for administrative overhead;

g. *"Ground handling" means the processing, loading and unloading of passengers, baggage, cargo, mail and aircraft stores, aircraft cleaning and fueling, and other rampside and airport terminal activities;*

"Ground handling" means the processing, loading and unloading of passengers, baggage, cargo, mail and aircraft stores,

h. "International air transportation" has the meaning assigned to international air services in Article 96 of the Convention referred to in Article 2 of this Agreement and also shall be deemed to include charter and other non-scheduled services;

i. "Price" means any fare, rate or charge for the carriage of passengers (and their baggage) and/or cargo (excluding mail) in air transportation charged by airlines, including their agents, and the conditions governing the availability of such fare, rate or charge;

j. "Stop for non-traffic purposes" means a landing for any purpose other than taking on or discharging passengers, baggage, cargo and/or mail in air transportation;

k. "User charge" means a charge imposed by a competent charging authority on airlines for use of airport or air navigation property or facilities, including related services and facilities.

ARTICLE 2

Provisions of the Chicago Convention Applicable to International Transportation

In implementing this Agreement, the Parties shall act in conformity with the provisions of the Convention on International Civil Aviation, opened for signature at Chicago on 7 December 1944, hereinafter referred to as "the Convention", including the Annexes and any amendments to the Convention or

to its Annexes as they apply to both Parties, insofar as these provisions are applicable to international air transportation.

ARTICLE 3 Grant of Rights

1. Each Party grants to the other Party the following rights for the conduct of international air transportation by the airlines of the other Party:

- a. the right to fly across its area without landing;
- b. the right to make stops in its area for non-traffic purposes; and
- c. the rights otherwise specified in this Agreement.

2. Nothing in paragraph 1 of this Article shall be deemed to grant the right for one Party's airlines to participate in air transportation between points in the area of the other Party.

3. Nothing in paragraph 1 of this Article shall be deemed to grant the right for the airlines designated by the United States to provide air transportation between Macau and Hongkong and points in Taiwan and the mainland of China.

ARTICLE 4 Designation and Authorization

1. Each Party shall have the right to designate as many airlines as it wishes to conduct international air transportation in accordance with this Agreement and to withdraw or alter such designations. Such designations shall be transmitted to the other Party in writing through appropriate channels, and shall identify whether the airline is authorized to conduct the type of air transportation specified in Annex I or in Annex II or both.

2. On receipt of such a designation, and of applications from the designated airline, in the form and manner prescribed for operating authorizations and technical permissions, the other Party shall grant appropriate authorizations and permissions with minimum procedural delay, provided that:

***a. substantial ownership and effective control of that airline are vested in the Party designating the airline, nationals of that Party, or both;
that airline is incorporated and has its principal place of business in the area of the first Party;***

- b. the designated airline is qualified to meet the conditions prescribed under the laws and regulations normally applied to the operation of international air transportation by the Party considering the application or applications; and
- c. the Party designating the airline is maintaining and administering the standards set forth in Article 7 (Safety) and Article 8 (Security).

ARTICLE 5

Revocation of Authorization

1. Each Party may revoke, suspend or limit the operating authorizations or technical permissions of an airline designated by the other Party where:

a. substantial ownership and effective control of that airline are not vested in the other Party, the other Party's nationals, or both;

that Party is not satisfied that that airline is incorporated and has its principal place of business in the area of the other Party;

b. that airline has failed to comply with the laws and regulations referred to in Article 6 (Application of Laws) of this Agreement; or

c. the other Party is not maintaining and administering the standards as set forth in Article 7 (Safety).

2. Unless immediate action is essential to prevent further non-compliance with subparagraphs lb. or lc of this Article, the rights established by this Article shall be exercised only after consultation with the other Party.

3. This Article does not limit the rights of either Party to suspend, limit, or condition air services in accordance with the provisions of Article 8 (Aviation Security).

ARTICLE 6

Application of Laws

1. While entering, within or leaving the area of one Party, its laws and regulations relating to the operation and, navigation of aircraft shall be complied with by the other Party's airlines.

2. While entering, within or leaving the area of one Party, its laws and regulations relating to the admission to or departure from its area of passengers, crew, or cargo on aircraft (including regulations relating to entry, clearance, aviation security, immigration, passports, customs, and quarantine or, in the case of mail, postal regulations) shall be complied with by, or on behalf of such passengers, crew, or cargo of the other Party's airlines.

ARTICLE 7

Safety

1. Each Party shall recognize as valid, for the purpose of operating the air transportation provided for in this Agreement, certificates of airworthiness, certificates of competency, and licenses issued or validated by the other Party and still in force, provided that the requirements for such certificates or licenses at least equal the minimum standards which may be established pursuant to the Convention. Each Party may, however, refuse to recognize as valid for the purpose of flights above its own area, certificates of competency and licenses granted to or validated for its own nationals in the case of the United States or in the case of Macau for its own residents, by the other Party.

2. Each Party may request consultations concerning the safety standards maintained by the other Party relating to aeronautical facilities, air crew, aircraft, and operation of the designated airlines. If, following such consultations, one Party finds that the other Party does not effectively maintain and administer safety standards and requirements in these areas that at least equal the minimum standards which may be established pursuant to the Convention, the other Party shall be notified of such findings and the steps considered necessary to conform with these minimum standards; and the other Party shall take appropriate corrective action. Each Party reserves the right to withhold, revoke, or limit the operating authorization or technical permission of an airline or airlines designated by the other Party in the event the other Party does not take such appropriate corrective action within a reasonable time.

ARTICLE 8 Aviation Security

1. The Parties reaffirm that their obligation to protect, in their mutual relationship, the security of civil aviation against acts of unlawful interference forms an integral part of this Agreement.

2. The Parties shall provide upon request all necessary assistance to each other to prevent acts of unlawful seizure of aircraft and other unlawful acts against the safety of passengers, crew, aircraft, airports, and air navigation facilities and any other threat to aviation security.

3. The Parties shall act in conformity with the provisions of the Convention on Offenses and Certain Other Acts Committed on Board Aircraft, signed at Tokyo on 14 September 1963, the Convention for the Suppression of Unlawful Seizure of Aircraft, signed at The Hague on 16 December 1970, and the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation, signed at Montreal on 23 September 1971.

4. The Parties shall, in their mutual relations, act in conformity with the aviation security provisions established by the International Civil Aviation Organization and designated as Annexes to the Convention; they shall require that operators

of airports in their area, operators of aircraft of their registry, and operators of aircraft who have their principal place of business or permanent residence in their area act in conformity with such aviation security provisions.

5. Each Party agrees to observe the security provisions required by the other Party for entry into the area of that other Party, as well as to take adequate measures to protect aircraft and to inspect passengers, crew, their carry-on items, cargo, and aircraft stores, prior to and during boarding or loading. Each Party shall also give positive consideration to any request from the other Party for special security measures to meet a particular threat.

6. When an incident or threat of an incident of unlawful seizure of aircraft or other unlawful acts against the safety of passengers, crew, aircraft, airports, and air navigation facilities occurs, the Parties shall assist each other by facilitating communications and other appropriate measures intended to terminate rapidly and safely such incident or threat thereof.

7. When a Party has reasonable grounds to believe that the other Party has departed from the aviation security provisions of this Article, the aeronautical authorities of that Party may request immediate consultations with aeronautical authorities of the other Party. Failure to reach a satisfactory agreement within 30 days from the date of such request will constitute grounds for a decision to withhold, revoke, limit, or impose conditions on the operating authorization or technical permission of an airline or airlines of the other Party. When required by an emergency, a Party may take interim action prior to the expiry of 30 days.

ARTICLE 9 Commercial Opportunities

1. The airlines of one Party may establish offices in the area of the other Party for the promotion and sale of air transportation.

2. The designated airlines of one Party may, in accordance with the laws and regulations of the other Party relating to entry, residence, and employment, bring in and maintain in the area of the other Party managerial, sales, technical, operational, and other specialist staff required for the provision of air transportation.

3. Each designated airline may perform its own ground handling in the area of the other Party ("self-handling") or, at its option, select among competing agents for such services in whole or in part. These rights shall be subject only to physical constraints resulting from considerations of airport safety. Where such considerations preclude self-handling, ground services shall be available on an equal basis to all airlines; charges shall be based on the costs of services provided; and such services shall be comparable to the kind and quality of services as if self-handling were possible.

These staff requirements may, at the option of the designated airline of one Party, be satisfied by its own personnel or by using the services of any other organization, company or airline operating in the area of the other Party, only if they are authorized to perform such services(including handling of other airlines) in the area of that Party.

4. Each designated airline may engage in the sale of air transportation in the area of the other Party directly and, at the airline's discretion, through its agents, except as may be specifically provided by the charter regulations of the Party, if any, in which the charter originates that relate to that Party's security or to the protection of passenger funds and passenger cancellation and refund rights. Each airline may sell such transportation, and any person shall be free to purchase such transportation, in the currency of that area or in freely convertible currencies.

5. Each airline may convert and remit to its area, on demand, local revenues in excess of sums locally disbursed. Conversion and remittance shall be permitted promptly without restrictions or taxation in respect thereof at the rate of exchange applicable to current transactions and remittance on the date the carrier makes the initial application for remittance.

6. The airlines of one Party shall be permitted to pay for local expenses, including purchases of fuel, in the area of the other Party in local currency. At their discretion, the airlines of one Party may pay for such expenses in the area of the other Party in freely convertible currencies according to local currency regulation.

ARTICLE 10 Customs Duties and Charges

1. On arriving in the area of one Party, aircraft operated in international air transportation by the designated airlines of the other Party, their regular equipment, ground equipment, fuel, lubricants, consumable technical supplies, spare parts (including engines), aircraft stores (including but not limited to such items of food, beverages and liquor, tobacco, and other products destined for sale to or use by passengers in limited quantities during flight) and other items intended for or used solely in connection with the operation or servicing of aircraft engaged in international air transportation shall be exempt, on the basis of reciprocity, from all import restrictions, property taxes and capital levies, customs duties, excise taxes, and similar fees and charges, imposed by the competent authorities of Macau and the national authorities of the United States of America and not based on the cost of services provided, provided that such equipment and supplies remain on board the aircraft.

2. There shall also be exempt, on the basis of reciprocity, from the taxes, duties, fees, and charges referred to in paragraph 1 of this Article, with the exception of charges based on the cost of the service provided:

a. aircraft stores introduced into or supplied in the area of one Party and taken on board, within reasonable limits, for use on outbound aircraft of an airline of the other Party engaged in international air transportation, even when these stores are to be used on a part of the journey performed over the area of the Party in which they are taken on board;

b. ground equipment and spare parts including engines introduced into the area of a Party for the servicing, maintenance, or repair of aircraft of an airline of the other Party used in international air transportation; and

c. fuel, lubricants, and consumable technical supplies introduced into or supplied in the area of a Party for use in an aircraft of an airline of the other Party engaged in international air transportation, even when these supplies are to be used on a part of the journey performed over the area of the Party in which they are taken on board.

3. Equipment and supplies referred to in paragraphs 1 and 2 of this Article may be required to be kept under the supervision or control of the appropriate authorities.

4. The exemptions provided by this Article shall also be available where the airlines of one Party have contracted with another airline, which similarly enjoys such exemptions from the other Party, for the loan or transfer in the area of the other Party of the items specified in paragraphs 1 and 2 of this Article 1

ARTICLE 11

User Charges

1. Users charges shall be just and reasonable, as defined in paragraphs 2 and 3 of this Article, and equitably apportioned among categories of users.

2. User charges shall not be unjustly discriminatory. In particular and without limiting the generality of the preceding sentence, user charges shall be imposed on terms not less favorable than the most favorable terms available to any other airline at the time the charges are imposed.

3. The user charges referred to in paragraph 1 are just and reasonable only if they do not exceed the full cost to the competent charging authorities of providing the appropriate airport, air navigation, and aviation security facilities and services. Such full cost may include a reasonable return on assets, after depreciation. In the provision of facilities and services, the competent authorities shall have regard to such factors as efficiency, economy, environmental impact and safety of operation.

4. Each Party shall encourage consultations in the first instance directly between the competent charging authorities in its area and the airlines using the services and facilities, or through the airlines' representative organization if the airlines agree. Each party shall encourage the airlines and the competent charging authorities to exchange such information as may be necessary to

permit an accurate review of the reasonableness of the charges in accordance with the requirements of paragraphs 1, 2, and 3 of this Article. Each Party shall encourage the competent charging authorities to provide users with reasonable notice of any proposals for changes in user charges to enable them to express their views before changes are made.

1. User charges which may be imposed by the competent charging authorities or bodies of each Party on the airlines of the other Party shall be just, reasonable, non-discriminatory, and equitably apportioned among categories of users. In any event, user charges shall be assessed on all airlines of each Party on terms not less favorable than the most favorable terms available to any other airline operating similar international air transportation.

2. User charges imposed on the airlines of the other Party may reflect, but shall not exceed, an equitable portion of the full economic cost to the competent charging authorities or bodies of providing the appropriate airport, air navigation, and aviation security facilities and services, and in the case of airport charges, may provide for a reasonable rate of return, after depreciation. Facilities and services for which charges are made shall be provided on an efficient and economic basis. Reasonable notice shall be given prior to changes in user charges.

3. Each Party shall encourage consultations between the competent charging authorities or bodies in its area and airlines using the services and facilities, and shall encourage the competent charging authorities or bodies and the airlines to exchange such information as may be necessary for an accurate review of the reasonableness of the charges.

ARTICLE 12

Fair Competition

1. Each Party shall allow a fair and equal opportunity for the designated airlines of both Parties to compete in the international air transportation covered by this Agreement.

2. Each Party shall take all appropriate action within its jurisdiction to eliminate all forms of discrimination or unfair competitive practices adversely affecting the competitive position of the airlines of the other Party.

3. Neither Party shall unilaterally limit the volume of traffic, frequency, regularity of service, or aircraft type or types operated by the designated airlines of the other Party, except as may be required for customs, technical, operational, or environmental reasons under uniform conditions consistent with Article 15 of the Convention.

4. Neither Party shall impose on the other Party's designated airlines a first refusal requirement, uplift ratio, no-objection fee, or any other requirement with

respect to the capacity, frequency, or traffic which would be inconsistent with the purposes of this Agreement.

5. Neither Party shall require the filing of schedules, programs for charter flights, or operational plans by airlines of the other Party for approval, except as may be required on a non-discriminatory basis to enforce uniform conditions as foreseen by paragraph 3 of this Article or as may be specifically authorized in an Annex to this Agreement. If a Party requires filings for information purposes, it shall minimize the administrative burdens of filing requirements and procedures on air transportation intermediaries and on designated airlines of the other Party.

ARTICLE 13

Pricing

1. Each Party shall allow prices for air transportation to be established by each designated airline based upon commercial considerations in the marketplace. Intervention by the Party shall be limited to:

- a. prevention of discriminatory prices or practices;
- b. protection of consumers from prices that are unreasonably high or restrictive due to the abuse of a dominant position; and
- c. protection of airlines from prices that are artificially low because of direct or indirect governmental subsidy or support.

2. Each Party may require notification to or filing with its aeronautical authorities of prices proposed to be charged to or from its area by airlines of the other Party. Notification or filing by the airlines of both Parties may be required no more than 30 days before the proposed date of effectiveness. In individual cases, notification or filing may be permitted on shorter notice than normally required. Neither Party shall require the notification or filing by airlines of the other Party of prices charged by charters to the public, except as may be required on a non-discriminatory basis for information purposes.

3. Neither Party shall take unilateral action to prevent the inauguration or continuation of a price proposed to be charged or charged by (a) an airline of either Party for international air transportation between the area of the Parties, or (b) an airline of one Party for international air transportation between the area of the other Party and any other area, including in both cases transportation on an interline or intraline basis. If either Party believes that any such price is inconsistent with the considerations set forth in paragraph 1 of this Article, it shall request consultations and notify the other Party of the reasons for its dissatisfaction as soon as possible. These consultations shall be held not later than 30 days after receipt of the request, and the Parties shall cooperate in securing information necessary for reasoned resolution of the issue. If the Parties reach agreement with respect to a price for which a notice of dissatisfaction has been given, each Party shall use its best efforts to put that agreement into effect.

Without such mutual agreement, the price shall go into effect or continue in effect.

ARTICLE 14
Consultations

Either Party may, at any time, request consultations relating to this Agreement. Such consultations shall begin at the earliest possible date, but not later than 60 days from the date the other Party receives the request unless otherwise agreed. Each Party shall prepare and present during such consultations relevant evidence in support of its position in order to facilitate informed, rational, and economical decisions.

ARTICLE 15
Amendment

If either Party considers it desirable to amend any provision of this Agreement, such amendment, if agreed between the Parties, may be applied provisionally from the date on which it is agreed and shall enter into force when confirmed by both Parties in writing.

Article 16
Settlement of Disputes

1. Any dispute arising under this Agreement which is not resolved by a first round of formal consultations, except those which may arise under paragraph 3 of Article 13 (Pricing), may be referred by agreement of the Parties for decision to some person or body. If the Parties do not so agree, the dispute shall at the request of either Party be submitted to arbitration in accordance with the procedures set forth below.
2. Arbitration shall be by a tribunal of three arbitrators to be constituted as follows:
 - a. within 30 days after the receipt of a request for arbitration, each Party shall name one arbitrator. Within 60 days after these two arbitrators have been named, they shall by agreement appoint a third arbitrator, who shall act as President of the arbitral tribunal;
 - b. if either Party fails to name an arbitrator, or if the third arbitrator is not appointed in accordance with subparagraph a of this paragraph, either Party may request the President of the Council of the International Civil Aviation Organization to appoint the necessary arbitrator or arbitrators within 30 days. ***If the President of the Council is of the same nationality as one of the Parties, a national of the United States of America or a resident of Macau, the most***

senior Vice President who is not disqualified on that ground shall make the appointment.

3. Except as otherwise agreed, the arbitral tribunal shall determine the limits of its jurisdiction in accordance with this Agreement and shall establish its own procedure. The tribunal, once formed, shall have the jurisdiction to grant interim relief pending its final determination. At the direction of the tribunal or at the request of either of the Parties, a conference to determine the precise issues to be arbitrated and the specific procedures to be followed shall be held no later than 15 days after the tribunal is fully constituted.
4. Except as otherwise agreed, each Party shall submit a memorandum within 45 days of the time the tribunal is fully constituted. Replies shall be due 60 days later. The tribunal shall hold a hearing at the request of either Party or at its discretion within 15 days after replies are due.
5. The tribunal shall attempt to render a written decision within 30 days after completion of the hearing or, if no hearing is held, after the date both replies are submitted. The decision of the majority of the tribunal shall prevail.
6. The Parties may submit requests for clarification of the decision within 15 days after it is rendered and any clarification given shall be issued within 15 days of such request.
7. Each Party shall, consistent with its national law, give full effect to any decision or award of the arbitral tribunal.
8. The expenses of the arbitral tribunal, including the fees and expenses of the arbitrators, shall be shared equally by the Parties. Any expenses incurred by the President of the Council of the International Civil Aviation Organization in connection with the procedures of paragraph 2b of this Article shall be considered to be part of the expenses of the arbitral tribunal.

ARTICLE 17 Termination

Either Party may, at any time, give notice in writing to the other Party of its decision to terminate this Agreement. Such notice shall be sent simultaneously to the International Civil Aviation Organization. This Agreement shall terminate at midnight (at the place of receipt of the notice to the other Party) immediately before the first anniversary of the date of receipt of the notice by the other Party, unless the notice is withdrawn by agreement of the Parties before the end of this period.

ARTICLE 18 Registration with ICAO

This Agreement and all amendments thereto shall be registered with the International Civil Aviation Organization.

ARTICLE 19
Entry into Force

The aeronautical authorities of the Parties shall permit operation in accordance with the terms of the agreement upon signature. The Agreement shall enter into force on a date to be determined in an exchange of notes following the completion of all necessary internal procedures of the Parties.

In witness whereof, the undersigned, being duly authorized by their respective Governments, have signed the present Agreement.

Done in triplicate at in the English, the Portuguese and the Chinese languages, with each text being equally authentic, on this day of Nineteen hundred and ninety- .

For the Government of the
United States of America

For the Government of
Macau

ANNEX I
Scheduled Air Service
Section 1

Airlines of one Party that are designated pursuant to this Agreement shall, in accordance with the terms of their designation, be entitled to perform scheduled international air transportation (1) between points on the following routes, and (2) between points on such routes and points in Non-Parties through points in the area of the Party that has designated the airlines.

A. Routes for the airline or airlines designated by the Government of the United States:

1. for passenger and cargo combination service:

From the United States via intermediate points to Macau and beyond.

From the United States via intermediate points to Macau and beyond, except however, (1) airlines designated by the Government of United States of America shall be limited to a total of the following number of weekly frequencies, taken together, between Macau and any points in Korea, Malaysia, Vietnam and Thailand: three round trip weekly frequencies until December 31, 1996; four roundtrip weekly frequencies between January 1, 1997 and December 31, 1998; and five roundtrip weekly frequencies thereafter; (2) in the event an airline or airlines designated by Macau Government exercises traffic rights between Macau and any point in Japan or Singapore, scheduled services between Macau and any such points provided by airlines designated by the Government of the United States of America shall be subject to the frequency limitations of subsection (1) above, and services between such points shall be counted towards the total number of weekly frequencies permitted by this section.

2. For all-cargo service:

a. From the United States via intermediate points to Macau and beyond; and

From the United States via intermediate points to Macau and points beyond, excepting points in Europe.

b. From Macau to and from points in States other than the People's Republic of China.

B. Routes for the airline or airlines designated by the Government of Macau:

1. For passenger and cargo combination service:

From Macau via intermediate points to six points in the U.S. to be selected by Macau upon giving sixty days prior notice, and beyond to four points in North and South America(excluding the U.S.) and Europe.

2. For all-cargo service:

From Macau via intermediate points to four points in the U.S. and beyond, excepting points in Europe.

Section 2

Each designated airline may, on any or all flights and at its option:

1. operate flights in either or both directions;
2. combine different flight numbers within one aircraft operation;
3. serve points on the routes in any combination and in order (which may include serving intermediate points as beyond points and beyond points as intermediate points);
4. omit stops at any point or points;
5. transfer traffic from any of its aircraft to any of its other aircraft at any point on the routes,
6. ***Before Macau designated airlines are able to operate the routes by itself as set out above, it may wetlease aircraft from outside of the area of Macau in order to perform the scheduled flights on the routes it is entitled to under this Agreement, provided that the scheduled flights operated with the wetleased aircraft always use Macau designated airline's flight number.***

without directional or geographic limitation and without loss of any right to carry traffic otherwise permissible under this Agreement; provided that the service begins or terminates in the area of the Party designating the airline.

Section 3

On any segment or segments of the routes above, a designated airline may perform international air transportation without any limitation as to change, at any point on the route, in type or number of aircraft operated, provided that in the outbound direction the transportation beyond such point is a continuation of the transportation from the area of the Party that has designated the airline and, in the inbound direction, the transportation to the area of the Party that has designated the airline is a continuation of the transportation beyond such point.

Section 4 *See proposal in MOU*

Air freight forwarders and air carriers shall be authorized to do business in the areas of the Parties, or to third countries, with respect to international air freight shipments and all activities incidental thereto, including door to door services, on a fair and equal basis with air freight forwarders or air carriers which are nationals of a Party. Such air freight forwarders, and air carriers (to the extent applicable), shall be granted all licenses and authority necessary to conduct such operations, including, but not limited to, those granting authority to act as a forwarder, consolidator, courier operator, customs broker, and trucker

Section 5

In operating or holding out the authorizaed services on the agreed routes, any designated airline or airlines of either Party, which hold appropriate authoritiy to provide such service, may, on the basis of reciprocity, and subject to the requirements normally applied to such agreements, enter into cooperative marketing arrangements such as block-space, code-sharing or leasing agreements with other airlines (including third Party's airlines) that also hold appropriate authority, provided that these arrangements do not include cabotage or revenue pooling.

In operating or holding out the authorized services on the agreed routes, a designated airline of either Party, which holds appropriate authority to provide such service, may, on the basis of reciprocity, and subject to the requirements normally applied to such agreements, enter into cooperative marketing arrangements with another airline which also holds appropriate authority, provided that the arrangement does not include Cabot age or revenue pooling.

ANNEX II
Charter Air Services
Section 1

Airlines of one Party designated under this Annex shall, in accordance with the terms of their designation, have the right to carry international charter traffic of passengers (and their accompanying baggage) and/or cargo (including, but not limited to, freight forwarder, split and combination (passenger/cargo) charters):

(a) between any point or points in the area of the Party which has designated the airline and any point or points in the area of the other Party; and

(b) between any point or points in the area of the other Party and any point or points in a non-Party or Parties, provided that such traffic is carried via the carrier's homeland and makes a stopover in the homeland for at least two consecutive nights.

In the performance of services covered by this Annex, airlines of one Party designated under this Annex shall also have the right: (1) to make stopovers at any points whether within or outside of the area of either Party; (2) to carry transit traffic through the other Party's area and (3) to combine on the same aircraft traffic originating in one Party's area with traffic that originated in the other Party's area.

Each Party shall extend favorable consideration to applications by airlines of the other Party to carry traffic not covered by this Annex on the basis of comity and reciprocity.

Section 2

In addition to the right to operate charters originating in their homeland, whether on a one-way or round-trip basis, according to the rules specified for application to such charters by its own authorities, an airline or airlines of a Party designated for charter air services shall be permitted to operate charter air services originating in the area of the other Party, whether on a one-way or round-trip basis, complying, at their option, with the charter laws, regulations, and rules of either their homeland or the other Party. If a Party applies different rules, regulations, terms, conditions, or limitations to one or more of its airlines, or to airlines of different countries, each designated airline shall be subject to the least restrictive of such criteria.

However, nothing contained in the above paragraph shall limit the rights of one Party to require the designated airline or airlines of the other Party to adhere to requirements relating to the protection of passenger funds and passenger cancellation and refund rights.

Section 3

Except with respect to the consumer protection rules referred to above, neither Party shall require a designated airline of the other Party, in respect of the carriage of authorized charter traffic on a one-way or round-trip basis, to submit more than a declaration of conformity with the applicable laws, regulations, and rules referred to under section 2 of this Annex, or a waiver of these regulations or rules granted by the applicable aeronautical authorities.

ANNEX III

COMPUTER RESERVATIONS SYSTEMS

Recognizing that Article 11 of this Agreement guarantees to the airlines of both Parties a fair and equal opportunity to compete,

Considering that one of the most important aspects of the ability of an airline to compete is its ability to inform the public of its services in a fair and impartial manner, and that, therefore, the quality of information about airline services available to travel agents who directly distribute such information to the traveling public and the ability of an airline to offer those agents competitive computer reservations systems (CRSs) represent the foundation for an airline's competitive opportunities,

Considering that it is equally necessary to ensure that the interests of the consumers of air transport products are protected from any misuse of such information and its misleading presentation and that airlines and travel agents have access to effectively competitive computer reservations systems,

Have reached the following understandings with respect to the agreed international scheduled passenger services under this Agreement:

(l) The Parties agree that CRSs will have integrated primary displays and that:

(a) information regarding international air services, including the construction of connections on those services, shall be edited and displayed on non-discriminatory and objective criteria that are not influenced, directly or indirectly, by airline or market identity. Such criteria shall apply uniformly to all airlines.

(b) CRS data bases shall be as comprehensive as possible.

(c) CRS vendors shall not delete information submitted by participating airlines; such information shall be accurate and transparent; for example, code-shared and change-of-gauge flights and flights with stops should be clearly identified as having those characteristics.

(d) All CRSs which are available to travel agents who directly distribute information about airline services to the traveling public in either Party's area shall not only be obliged to, but shall also be entitled to, operate in conformance with the CRS rules that apply in the area where the CRS is being operated.

(e) Travel agents shall be allowed to use any of the secondary displays available through the CRS so long as the travel agent makes a specific request for that display.

(2) A Party shall require that each CRS vendor operating in its area allow all airlines willing to pay any applicable non-discriminatory fee to participate in its CRS. A Party shall require that all distribution facilities which a system vendor provides shall be offered on a non-discriminatory basis to participating airlines. A Party shall require that CRS vendors display, on a non-discriminatory, objective, carrier-neutral and market-neutral basis, the international air services of participating airline in all markets in which they wish to sell those services. Upon request, a CRS vendor shall disclose details of its data base update and storage procedures, its criteria for editing and ranking information, the weight given to such criteria, and the criteria used for selection of connect points and inclusion of connecting flights.

(3) CRS vendors operating in the area of one Party shall be entitled to bring in, maintain, and make freely available their CRSs to travel agencies or travel companies whose principal business is the distribution of travel-related products in the area of the other Party, if the CRS complies with these principles.

(4) Neither Party shall, in its area, impose or permit to be imposed on the CRS vendors of the other Party more stringent requirements with respect to access to and use of communication facilities, selection and use of technical CRS hardware and software, and the technical installation of CRS hardware, than those imposed on its own CRS vendors.

(5) Neither Party shall, in its area, impose or permit to be imposed on the CRS vendors of the other Party more restrictive requirements with respect to CRS displays (including edit and display parameters), operation, or sale than those imposed on its own CRS vendor.

(6) CRSs in use in the area of one Party, which comply with these principles and other relevant non-discriminatory regulatory, technical, and security standards, shall be entitled to effective and unimpaired access in the area of the other Party. One aspect of this is that a designated airline shall participate in such a system as fully in its homeland area as it does in any system offered to travel agents in the area of the other Party. Owners/operators of CRSs of one Party shall have the same opportunity to own/operate CRSs that conform to these principles, within the area of the other Party as do owners/operators of that Party. Each Party shall ensure that its airlines and its CRS vendors do not discriminate against travel agents in their homeland area because of their use or possession of a CRS also operated in the area of the other Party.

A Party which allows a multi-access CRS to be operated in its area without a fully functional neutral, integrated display shall require that the partition of an airline which owns such a CRS, and/or the airline offering the most scheduled services in that Party's area shall include at least one display that processes information on international airline services in compliance with the

requirements of paragraph (1). This display must be as easy to access and as fully functional as any display maintained by the airline based on carrier identity, and its data base shall contain accurate information, be as comprehensive as possible, and not favor the services of the airline whose partition is being accessed. This display shall be presented to the travel agent accessing the airline's partition unless the agent specifically calls up a different display for each individual transaction.